

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CHARLEVOIX TOWNSHIP	County CHARLEVOIX
Audit Date 6/30/05	Opinion Date 11/9/05	Date Accountant Report Submitted to State 12/2/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:			
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits)			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) MASON & KAMMERMANN, P.C.			
Street Address 110 PARK AVENUE	City CHARLEVOIX	State MI	Zip 49720
Accountant Signature <i>Mason & Kammermann, P.C.</i>		Date 12-13-05	

CHARLEVOIX TOWNSHIP

CHARLEVOIX, MICHIGAN

FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

for the year ended June 30, 2005

Charlevoix Township

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Charlevoix Township

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MASON & KAMMERMANN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA E. KAMMERMANN

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Telephone (231) 547-4911
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INDEPENDENT AUDITOR'S REPORT

October 26, 2005

Members of the Township Board
Charlevoix Township
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Charlevoix Township of Charlevoix, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Charlevoix Township as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of July 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Mason & Kammermann, P.C.
Certified Public Accountants

Charlevoix Township

Management Discussion & Analysis November 9, 2005

This section of Charlevoix Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended June 30, 2005.

Overview of the Financial Statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are in a new format implemented over this fiscal year to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Charlevoix Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expense are accounted for in the statement of activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Charlevoix Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Charlevoix Township is improving or deteriorating.

The Statement of Activities presents changes in the government's net assets during the most recent fiscal year, on the cash basis of accounting.

Fund Financial Statements

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Charlevoix Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Charlevoix Township uses three categories of funds, which are governmental, proprietary and fiduciary funds.

Charlevoix Township

Management Discussion & Analysis November 9, 2005

Governmental Funds

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds

Proprietary funds are used to account for the services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting. The Township maintains one enterprise fund that is used to report the water operations and maintenance. It is reported as a business-type activity in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

Charlevoix Township

Management Discussion & Analysis November 9, 2005

Financial Analysis of the Township as a Whole

The table below shows, in a condensed format, the Township's net assets as of June 30, 2005:

Net Assets June 30, 2005			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current Assets	\$ 1,539,805	\$ 200,566	\$ 1,740,371
Noncurrent Assets			
Capital Assets, net	<u>632,370</u>	<u>1,560,898</u>	<u>2,193,268</u>
Total Assets	2,172,175	1,761,464	3,933,639
<u>Liabilities and Net Assets</u>			
Current Liabilities	<u>44,085</u>	<u>18,824</u>	<u>62,909</u>
Net Assets			
Contributed Capital	-	600,313	600,313
Invested in Capital Assets, net	632,370	-	632,370
Unrestricted	<u>1,495,720</u>	<u>1,142,327</u>	<u>2,638,047</u>
Total Net Assets	<u>\$ 2,128,090</u>	<u>\$ 1,742,640</u>	<u>\$ 3,870,730</u>

The Township's total net assets from governmental activities are \$2,128,090. The proprietary fund has net assets totaling \$1,742,640. The township has \$1,495,720 of unrestricted governmental net assets, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Charlevoix Township

Management Discussion & Analysis November 9, 2005

The following table shows how activities affected changes in net assets during the fiscal year.

Changes in Net Assets For Year Ended June 30, 2005

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues,			
Charges for Services	\$ 44,733	\$ 167,667	\$ 212,400
General Revenues:			
Property Taxes	451,857	-	451,857
State Shared Revenues	113,209	-	113,209
Interest	28,872	1,272	30,144
Other	12,218	20,720	32,938
Total Revenues	650,889	189,659	840,548
Expenses:			
Legislative	223,642	-	223,642
General Government	124,594	-	124,594
Public Safety	52,121	-	52,121
Public Works	721,499	152,264	873,763
Health & Welfare	12,787	-	12,787
Community & Economic Development	45,967	-	45,967
Recreation and Cultural	23,891	-	23,891
Total Expenses	1,204,501	152,264	1,356,765
Change in net assets	\$ (553,612)	\$ 37,395	\$ (516,217)

Revenue sources and changes

Total revenue from all sources totaled \$840,548, of which \$650,889 was from governmental activities and \$189,659 was from business-type activities. Revenue from governmental activities consists primarily of, 69.42% from property taxes, 17.39% from state revenue sharing, 6.87% from charges for services, and 6.32% from interest and other sources. Property taxes were the largest source of revenue for which they levied 3 mills for general operations.

Charlevoix Township

Management Discussion & Analysis November 9, 2005

Expenses

Using a full accrual basis of accounting, the Township spent \$1,204,501 on governmental activities. This equates to 18.57% on legislative activities, 10.34% on general government, 4.33% on public safety, 59.90% on public works, 1.06% on health and welfare, 3.82% on community and economic development and 1.98% on culture and recreation.

Business-type Activity Highlights

Business-type activities show an increase in net assets of \$37,395 on revenues of \$189,659. The largest source of revenue was from charges for services, which represents about 88.4% of revenues for business-type activities.

Financial Analysis of the Township's Funds

At June 30, 2005, the Township's governmental funds reported cash and investments of \$1,507,369, which is approximately \$502,836 less than last year.

Revenues in the General Fund were exceeded by expenditures by \$553,612, which decreased the net assets to \$2,128,090.

Capital Assets

At fiscal year ended June 30, 2005, the Township has \$632,370 in capital assets, net of accumulated depreciation. During the year the Township invested \$12,200 in recreational improvements, \$8,458 in equipment, \$8,131 in fire equipment and \$329 in furniture and fixtures.

Generally, capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land, recreational land improvements, buildings, equipment, furniture and fixtures, and fire equipment. The Township uses straight-line depreciation for all depreciable assets.

Long-Term Debt

The Township had no outstanding long-term debt for governmental activities as of June 30, 2005.

Requests for Information

This financial report is designed to provide a general overview of Charlevoix Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Charlevoix Township, 12491 Waller Rd., Charlevoix, MI 49720.

Charlevoix Township

Statement of Net Assets June 30, 2005

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current Assets			
Cash	\$ 541,128	\$ 186,526	\$ 727,654
Investments	966,241	-	966,241
Accounts Receivable	17,227	11,046	28,273
Inventory	-	2,994	2,994
Due from Other Funds	15,209	-	15,209
Total Current Assets	1,539,805	200,566	1,740,371
Noncurrent Assets			
Capital Assets	1,697,549	2,639,110	4,336,659
Less: Accumulated Depreciation	(1,065,179)	(1,078,212)	(2,143,391)
Total Noncurrent Assets	632,370	1,560,898	2,193,268
Total Assets	2,172,175	1,761,464	3,933,639
<u>Liabilities and Net Assets</u>			
Current Liabilities			
Accounts Payable	43,849	4,319	48,168
Payroll Taxes	236	-	236
Due to Other Funds	-	14,505	14,505
Total Liabilities	44,085	18,824	62,909
Net Assets			
Contributed Capital	-	600,313	600,313
Invested in Capital Assets	632,370	-	632,370
Fund Balance - Undesignated	1,495,720	1,142,327	2,638,047
Total Net Assets	\$ 2,128,090	\$ 1,742,640	\$ 3,870,730

The accompanying notes are a part of the financial statements.

Charlevoix Township

Statement of Activities For Year Ended June 30, 2005

		Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
	Expenses						
Governmental Activities							
Legislative	\$ 223,642	\$ -	\$ -	\$ -	\$ (223,642)	\$ -	\$ (223,642)
General Government	124,594	-	-	-	(124,594)	-	(124,594)
Public Safety	52,121	34,314	-	-	(17,807)	-	(17,807)
Public Works	721,499	9,230	-	-	(712,269)	-	(712,269)
Health & Welfare	12,787	-	-	-	(12,787)	-	(12,787)
Community & Economic Development	45,967	1,189	-	-	(44,778)	-	(44,778)
Recreation and Cultural	23,891	-	-	-	(23,891)	-	(23,891)
Total Government Activities	1,204,501	44,733	-	-	(1,159,768)	-	(1,159,768)
Business-Type Activities							
Water	152,264	167,667	-	-	-	15,403	15,403
Total Primary Government	1,356,765	212,400	-	-	(1,159,768)	15,403	(1,144,365)
General Revenues:							
Taxes:							
Property Taxes					451,857	-	451,857
State Shared Revenues					113,209	-	113,209
Interest					28,872	1,272	30,144
Other					12,218	20,720	32,938
Total General Revenues					606,156	21,992	628,148
Change in Net Assets					(553,612)	37,395	(516,217)
Net Assets - July 1, 2004					2,681,702	1,705,245	4,386,947
Net Assets - June 30, 2005					\$ 2,128,090	\$ 1,742,640	\$ 3,870,730

The accompanying notes are a part of the financial statements.

Charlevoix Township

Governmental Funds Balance Sheet June 30, 2005

<u>Assets</u>	<u>General</u>
Cash	\$ 541,128
Investments	966,241
Accounts Receivable	17,227
Due From Other Funds	15,209
	<hr/>
Total Assets	<u>\$ 1,539,805</u>
 <u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts Payable	\$ 43,849
Payroll Taxes	236
	<hr/>
Total Liabilities	<u>44,085</u>
Fund Equity:	
Fund Balance - Undesignated	<u>1,495,720</u>
	<hr/>
Total Liabilities & Fund Equity	<u>\$ 1,539,805</u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2005

Total Fund Balances - Governmental Funds	\$ 1,495,720
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Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds
balance sheet.

Cost of capital assets	1,697,549
Accumulated depreciation	<u>(1,065,179)</u>

Total Net Assets - Governmental Activities	<u><u>\$ 2,128,090</u></u>
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The accompanying notes are a part of the financial statements.

Charlevoix Township

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances For Year Ended June 30, 2005

	<u>General</u>
Revenues:	
Taxes	\$ 451,857
State Shared Revenue	113,209
Licenses & Permits	1,189
Charges for Service	43,544
Interest	28,872
Other	<u>12,218</u>
Total Revenues	<u>650,889</u>
Expenditures:	
Current:	
Legislative	223,642
General Government	107,536
Public Safety	30,339
Public Works	721,499
Health & Welfare	12,787
Community & Economic Development	45,967
Recreation and Cultural	5,131
Capital Outlay	<u>29,118</u>
Total Expenditures	<u>1,176,019</u>
Net Change in Fund Balance	(525,130)
Fund Balances - July 1, 2004	<u>2,020,850</u>
Fund Balances - June 30, 2005	<u><u>\$ 1,495,720</u></u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ (525,130)
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets
is allocated over their estimated useful lives

29,118

Depreciation expense is recorded in the statement of activities but not
the governmental fund financial statements

(57,600)

Changes in Net Assets - Governmental Activities

\$ (553,612)

The accompanying notes are a part of the financial statements.

Charlevoix Township

Proprietary Fund Statement of Net Assets June 30, 2005

<u>Assets</u>	<u>Water</u>
Current Assets	
Cash	\$ 186,526
Accounts Receivable	11,046
Inventory	<u>2,994</u>
Total Current Assets	<u>200,566</u>
Noncurrent Assets	
Capital Assets	2,639,110
Accumulated Depreciation	<u>(1,078,212)</u>
Total Noncurrent Assets	1,560,898
Total Assets	<u>1,761,464</u>
 <u>Liabilities and Net Assets</u>	
Liabilities:	
Accounts Payable	4,319
Due to Other Funds	<u>14,505</u>
Total Liabilities	18,824
Fund Equity:	
Contributed Capital	600,313
Fund Balance - Undesignated	<u>1,142,327</u>
Total Net Assets	<u><u>\$ 1,742,640</u></u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Proprietary Fund Statement of Revenues, Expenditures and Changes in Fund Balances For Year Ended June 30, 2005

	<u>Water</u>
Operating Revenues:	
Water Sales	\$ 118,317
Connection Fees	49,350
Miscellaneous	<u>20,720</u>
Total Revenues	<u>188,387</u>
Cost of Goods Sold	
Connection Expenses	<u>10,113</u>
Gross Profit	<u>178,274</u>
Operating Expenses	
Wages	20,200
Depreciation	63,412
Professional Services	2,965
Utilities	29,789
Repair and Maintenance	22,918
Other	<u>2,867</u>
Total Expenditures	<u>142,151</u>
Operating Income	36,123
Nonoperating Revenue	
Interest Income	<u>1,272</u>
Net Change in Fund Balance	37,395
Fund Balances - July 1, 2004	<u>1,104,932</u>
Fund Balances - June 30, 2005	<u><u>\$ 1,142,327</u></u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Proprietary Fund Statement of Cash Flows For Year Ended June 30, 2005

	Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES:	
Fees and services	\$ 189,220
Payments for goods and services	<u>(87,810)</u>
Net cash provided by operating activities	101,410
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>1,272</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	102,682
CASH AND CASH EQUIVALENTS, July 1, 2004	<u>83,844</u>
CASH AND CASH EQUIVALENTS, June 30, 2005	<u><u>186,526</u></u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:	
Unrestricted	<u><u>\$ 186,526</u></u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 36,123
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	63,412
Decrease in accounts receivable	833
Increase in accounts payable and due to other units	<u>1,042</u>
	<u><u>\$ 101,410</u></u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Fiduciary Fund Statement of Net Assets June 30, 2005

Assets

Cash

\$ 704

Liabilities

Due to Other Funds

\$ 704

The accompanying notes are a part of the financial statements

Charlevoix Township

Fiduciary Fund Statement of Changes in Fiduciary Net Assets For Year Ended March 31, 2005

Additions:

Property Tax Collections for Other Governments	<u>\$ 4,683,750</u>
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Deductions:

Property Tax Distributions to Other Governments	<u>4,683,750</u>
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Change in Net Assets	-
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Fiduciary Net Assets - July 1, 2004	<u>-</u>
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Fiduciary Net Assets - June 30, 2005	<u><u>\$ -</u></u>
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The accompanying notes are a part of the financial statements.

Charlevoix Township

Notes To Financial Statements For Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charlevoix Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charlevoix Township.

A. Reporting Entity

The Township operates under a Board-Supervisor form of government and provides the following services:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Charlevoix Township

Notes To Financial Statements For Year Ended June 30, 2005

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Proprietary Funds – Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for the capital maintenance public policy, management control, accountability, or other purposes.

Fiduciary Fund – The Fiduciary Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private

Charlevoix Township

Notes To Financial Statements For Year Ended June 30, 2005

organizations, other governments and/or other funds. Fiduciary Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Assets, Liabilities, and Net Assets or Equity

Cash

Cash is comprised of the amount of funds in bank accounts.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Inventory

Inventory included in the Proprietary Fund Type is valued at the lower of cost (first-in, first-out) or market.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives.

Buildings	40 years
Furniture & Fixtures	10 years
Equipment	5 years
Recreational Land Improvements	30 years
Safety Equipment	20 years

Charlevoix Township

Notes To Financial Statements For Year Ended June 30, 2005

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included in their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operation. Accumulated depreciation totals \$1,078,212 in proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Plant and Equipment	15-60 years

Long-term Obligations

As of June 30, 2005, the Township has no outstanding long-term debt.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Charlevoix Township

Notes To Financial Statements For Year Ended June 30, 2005

Accounting Change

As of July 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township’s activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$1,697,549 which was the amount previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township’s applicable capital assets.
- The fund financial statements focus on major funds rather than fund types.

The implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with implementation of Statement No. 34 based on GASB No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and various other disclosures.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 15, the Township Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Charlevoix Township

Notes To Financial Statements For Year Ended June 30, 2005

2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted.
4. The Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles.
7. Appropriations expire at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by the Township Board. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Charlevoix Township's budgeted and actual expenditures for the funds budgeted have been shown on a function basis.

During the year, the Township did not incur expenditures in the General Fund in excess of the amounts appropriated.

Accumulated Fund Deficits

The Charlevoix Township had no funds with an accumulated fund balance/retained earnings deficit at June 30, 2005.

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks;

Charlevoix Township

Notes To Financial Statements For Year Ended June 30, 2005

commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits – At June 30, 2005 the carrying amount of the Township's deposits were \$541,128 for governmental activities and \$186,526 for business-type activities.

Investments – As June 30, 2005, the Township's investments consisted of certificates of deposit and U.S. Government obligations totaling \$966,241.

The nature of the investment funds does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

Federal Depository Insurance – Of the above balances, \$807,831 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$886,064 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The township may experience significant fluctuations in deposit balances during the year.

NOTE 4 – PROPERTY TAXES

Property taxes are levied on July first and December first and are payable on September fourteenth and February fourteenth, respectively. Property tax revenues are recognized when levied.

The Township levied 3 mills for general operations on state taxable valuation of \$160,272,139 on the 2004 tax roll.

The Township also bills and collects taxes for other governmental units, which are accounted for in an Agency Fund.

Charlevoix Township

Notes To Financial Statements For Year Ended June 30, 2005

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Balance of July 1, 2004	Additions	Dispositions	Balance of June 30, 2005
Capital assets not being depreciated				
Land	\$ 6,134	\$ -	\$ -	6,134
Capital assets being depreciated				
Buildings	157,345	-	-	157,345
Equipment & Furniture	60,625	329	-	60,954
Equipment	166,327	8,458	-	174,785
Recreation	692,942	12,200	-	705,142
Safety Equipment	585,058	8,131	-	593,189
Total Capital Assets, being depreciated	1,662,297	29,118	-	1,691,415
Less: Accumulated Depreciation	(1,007,579)	(57,600)	-	(1,065,179)
Total Net Capital Assets	<u>\$ 660,852</u>	<u>\$ (28,482)</u>	<u>-</u>	<u>\$ 632,370</u>

Depreciation expense was charged to the Township's functions as follows:

General Government	\$ 17,058
Public Safety	21,782
Recreation	<u>18,760</u>
	<u>\$ 57,600</u>

Following is a summary of Water Fund assets:

Land	\$ 15,690
Building	54,224
Wells and wellhouses	404,860
Equipment	229,804
Water lines	985,926
Storage tanks	<u>948,606</u>
	2,639,110
Less accumulated depreciation	<u>(1,078,212)</u>
Total	<u>\$ 1,560,898</u>

Charlevoix Township

Notes To Financial Statements For Year Ended June 30, 2005

NOTE 6 – RECEIVABLES & PAYABLES

Interfund receivables and payables of the individual funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 15,209	\$ -
Tax Fund	-	704
Water Fund	-	14,505
Total	<u>\$ 15,209</u>	<u>\$ 15,209</u>

NOTE 7 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workman's compensation coverage. The Plan is self-sustaining through member premiums and 100% reinsures through commercial companies.

NOTE 8 – PENSION PLAN

The Township approved a defined contribution plan covering its full time employees. The Board approved a 6 percent contribution resulting in a pension expense of \$7,502 for the year.

Charlevoix Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Taxes:				
Property Tax	\$ 450,235	\$ 450,235	\$ 451,857	\$ 1,622
State Revenues:				
State Shared Revenues	75,000	75,000	113,209	38,209
Charges for Services	34,312	34,312	43,544	9,232
Licenses and Permits	200	200	1,189	989
Interest	5,000	5,000	28,872	23,872
Other	14,230	14,230	12,218	(2,012)
Total Revenues	578,977	578,977	650,889	71,912
Expenditures:				
Legislative				
Township Board				
Salaries	150,000	150,000	109,916	(40,084)
Payroll Taxes	12,000	12,000	9,977	(2,023)
Health Insurance	35,000	35,000	27,440	(7,560)
Pension	15,000	15,000	7,502	(7,498)
Insurance	35,000	35,000	34,228	(772)
Office Supplies	7,000	7,000	5,783	(1,217)
Printing & Publishing	3,000	3,000	1,225	(1,775)
Professional Services	10,000	10,000	6,431	(3,569)
Other Expenses	12,500	12,500	21,140	8,640
Total Legislative	279,500	279,500	223,642	(55,858)
General Government				
Township Supervisor				
Salary	22,000	22,000	22,000	-
Travel	500	500	500	-
Total Township Supervisor	22,500	22,500	22,500	-
Elections				
Salary	2,000	2,000	1,682	(318)
Supplies	2,000	2,000	43	(1,957)
Printing and Publishing	1,000	1,000	197	(803)
Other Expenses	600	600	203	(397)
Total Elections	5,600	5,600	2,125	(3,475)

Charlevoix Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Township Assessor				
Salary	16,000	16,000	14,684	(1,316)
Supplies	5,000	5,000	1,178	(3,822)
Total Township Assessor	21,000	21,000	15,862	(5,138)
Township Clerk				
Salary, Clerk	15,760	15,760	15,760	-
Salary, Deputy Clerk	900	900	900	-
Supplies	700	700	500	(200)
Total Township Clerk	17,360	17,360	17,160	(200)
Township Board of Review				
Salaries	2,000	2,000	1,625	(375)
Township Treasurer				
Salary, Treasurer	12,855	12,855	12,855	-
Travel	700	700	500	(200)
Total Township Treasurer	13,555	13,555	13,355	(200)
Summer Tax Collection				
Salaries	5,557	5,557	5,556	(1)
Travel	369	369	369	-
Manatron	1,800	1,800	1,269	(531)
Total Summer Tax Collection	7,726	7,726	7,194	(532)
Township Hall				
Supplies	5,000	5,000	4,005	(995)
Telephone	5,000	5,000	3,663	(1,337)
Utilities	4,000	4,000	2,906	(1,094)
Repairs & Maintenance	10,000	10,000	2,136	(7,864)
Total Township Hall	24,000	24,000	12,710	(11,290)
Grounds & Equipment				
Operating Supplies	6,000	6,000	4,440	(1,560)
Repair & Maintenance	30,000	30,000	10,565	(19,435)
Total Grounds & Equipment	36,000	36,000	15,005	(20,995)
Total General Government	149,741	149,741	107,536	(42,205)

Charlevoix Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Public Safety				
Operating Supplies	1,500	1,500	845	(655)
Telephone	1,200	1,200	1,040	(160)
Repairs & Maintenance	12,000	12,000	2,237	(9,763)
Utilities	3,000	3,000	3,000	-
Other	25,000	25,000	23,217	(1,783)
Total Public Safety	42,700	42,700	30,339	(12,361)
Public Works				
Improvements	275,000	275,000	-	(275,000)
Road Maintenance	25,000	25,000	365	(24,635)
Sewer Extension	1,000,000	1,000,000	721,134	(278,866)
Total Public Works	1,300,000	1,300,000	721,499	(578,501)
Health & Welfare				
Ambulance	16,000	16,000	12,787	(3,213)
Community & Economic Development				
Zoning Board				
Salary	12,000	12,000	12,605	605
Supplies	1,000	1,000	108	(892)
Travel	1,500	1,500	274	(1,226)
Professional Services	20,000	20,000	30,703	10,703
Printing & Publishing	4,000	4,000	1,885	(2,115)
Miscellaneous	2,000	2,000	392	(1,608)
Total Community & Economic Development	40,500	40,500	45,967	5,467
Recreation and Culture				
Utilities	3,000	3,000	1,830	(1,170)
Repairs & Maintenance	20,000	20,000	3,301	(16,699)
Total Recreation & Culture	23,000	23,000	5,131	(17,869)
Capital Outlay	113,000	113,000	29,118	(83,882)
Total Expenditures	1,964,441	1,964,441	1,176,019	(788,422)
Net Change in Fund Balance	(1,385,464)	(1,385,464)	(525,130)	860,334
Fund Balance - July 1, 2004	2,020,850	2,020,850	2,020,850	-
Fund Balance - June 30, 2005	\$ 635,386	\$ 635,386	\$1,495,720	\$ 860,334

MASON & KAMMERMANN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

110 Park Avenue
Charlevoix, Michigan 49720
Telephone (231) 547-4911
Facsimile (231) 547-5911

November 30, 2005

To the Board of Trustees
Charlevoix Township

We have audited the financial statements of Charlevoix Township for the year ended June 30, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 24, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Charlevoix Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charlevoix Township are described in Note 1 to the financial statements. The Governmental Accounting Standards Board issued a new reporting model for governmental units, which was implemented for the fiscal year ended June 30, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year-end adjustments to the final presentation format. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Charlevoix Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Mason & Kammermann, P.C.
Certified Public Accountants